

TOWNSHIP OF CHARLTON
Otsego County, Michigan
69-1020
GENERAL PURPOSE FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

Year Ended March 31, 2004

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Charlton	County Otsego
Audit Date March 31, 2004	Opinion Date August 2, 2004	Date Accountant Report Submitted to State: August 2, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | |
|----------------------------|
| RECEIVED |
| DEPT. OF TREASURY |
| AUG 31 2004 |
| LOCAL AUDIT & FINANCE DIV. |
- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686	City Bay City	State MI	Zip 48707
Accountant Signature <i>Campbell, Kusterer & Co., P.C.</i>			

TOWNSHIP OF OTSEGO
Otsego County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

August 2, 2004

To the Township Board
Township of Charlton
Otsego County, Michigan

We have audited the accompanying general purpose financial statements of the Township of Charlton, Otsego County, Michigan, as of March 31, 2004, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township of Charlton's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Charlton, Otsego County, Michigan, as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Township of Charlton, Otsego County, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF CHARLTON
Otsego County, Michigan

COMBINED BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUPS

March 31, 2004

EXHIBIT A

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Agency</u>
<u>Assets</u>			
Cash in bank	186 213 22	205 642 69	1 689 29
Taxes receivable	10 690 32	-	-
Accounts receivable	8 736 38	-	-
Due from other funds	525 85	-	-
Land and improvements	-	-	-
Buildings and improvements	-	-	-
Equipment	-	-	-
Total Assets	<u>206 165 77</u>	<u>205 642 69</u>	<u>1 689 29</u>
<u>Liabilities and Fund Equity</u>			
Liabilities:			
Deposits payable	2 310 00	-	-
Due to other funds	-	-	525 85
Due to others	-	-	1 163 44
Total liabilities	<u>2 310 00</u>	<u>-</u>	<u>1 689 29</u>
Fund equity:			
Investment in general fixed assets	-	-	-
Fund balances:			
Unreserved:			
Undesignated	203 855 77	205 642 69	-
Total fund equity	<u>203 855 77</u>	<u>205 642 69</u>	<u>-</u>
Total Liabilities and Fund Equity	<u>206 165 77</u>	<u>205 642 69</u>	<u>1 689 29</u>

The accompanying notes are an integral part of these financial statements.

<u>Account Group</u> <u>General</u> <u>Fixed Assets</u>	<u>Total</u> <u>(Memorandum</u> <u>Only)</u>
-	393 545 20
-	10 690 32
-	8 736 38
-	525 85
64 192 00	64 192 00
732 646 23	732 646 23
<u>468 606 89</u>	<u>468 606 89</u>
<u>1 265 445 12</u>	<u>1 678 942 87</u>

-	2 310 00
-	525 85
-	<u>1 163 44</u>
-	<u>3 999 29</u>

1 265 445 12	1 265 445 12
-	<u>409 498 46</u>
<u>1 265 445 12</u>	<u>1 674 943 58</u>
<u>1 265 445 12</u>	<u>1 678 942 87</u>

TOWNSHIP OF CHARLTON
Otsego County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES

Year Ended March 31, 2004

EXHIBIT B

Page 1

	<u>Governmental Fund Types</u>		<u>Total</u>
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
Revenues:			
Property taxes	90 035 37	-	90 035 37
Other taxes	19 710 35	-	19 710 35
Licenses and permits	49 00	-	49 00
State revenue sharing	91 257 00	-	91 257 00
Charges for services:			
Tax collection fees	36 856 71	-	36 856 71
Sanitation	35 002 38	-	35 002 38
Fire	8 400 00	-	8 400 00
Interest	838 88	7 331 66	8 170 54
Rents	7 020 00	-	7 020 00
Miscellaneous	5 916 16	-	5 916 16
Total revenues	<u>295 085 85</u>	<u>7 331 66</u>	<u>302 417 51</u>
Expenditures:			
Legislative:			
Township Board	34 160 82	-	34 160 82
General government:			
Supervisor/Assessor	38 455 92	-	38 455 92
Elections	747 85	-	747 85
Clerk	15 110 17	-	15 110 17
Treasurer	20 681 18	-	20 681 18
Township Hall	43 724 07	-	43 724 07
Township Office/Library Building	5 761 24	-	5 761 24
Cemetery	2 941 28	-	2 941 28
Public safety:			
Fire protection	47 872 18	-	47 872 18
Public works:			
Highways and streets	23 990 00	23 990 00	47 980 00
Street lighting	2 021 00	-	2 021 00
Sanitation	37 318 64	-	37 318 64
Culture and recreation:			
Parks and recreation	2 116 39	-	2 116 39
Capital outlay	<u>14 424 00</u>	<u>-</u>	<u>14 424 00</u>
Total expenditures	<u>289 324 74</u>	<u>23 990 00</u>	<u>313 314 74</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CHARLTON
Otsego County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES

Year Ended March 31, 2004

EXHIBIT B
Page 2

	<u>Governmental Fund Types</u>		<u>Total</u>
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
Excess (deficiency) of revenues over expenditures	5 761 11	(16 658 34)	(10 897 23)
Fund balances, April 1	<u>198 094 66</u>	<u>222 301 03</u>	<u>420 395 69</u>
Fund Balances, March 31	<u>203 855 77</u>	<u>205 642 69</u>	<u>409 498 46</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CHARLTON
Otsego County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –
GENERAL AND SPECIAL REVENUE FUNDS

Year Ended March 31, 2004

EXHIBIT C
Page 1

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:			
Property taxes	87 500 00	90 035 37	2 535 37
Other taxes	19 700 00	19 710 35	10 35
Licenses and permits	-	49 00	49 00
State revenue sharing	93 000 00	91 257 00	(1 743 00)
Charges for services:			
Tax collection fees	30 000 00	36 856 71	6 856 71
Sanitation	35 880 00	35 002 38	(877 62)
Fire	8 000 00	8 400 00	400 00
Interest	850 00	838 88	(11 12)
Rents	10 000 00	7 020 00	(2 980 00)
Miscellaneous	9 950 00	5 916 16	(4 033 84)
Total revenues	<u>294 880 00</u>	<u>295 085 85</u>	<u>205 85</u>
Expenditures:			
Legislative:			
Township Board	73 100 00	34 160 82	(38 939 18)
General government:			
Supervisor/Assessor	39 700 00	38 455 92	(1 244 08)
Elections	850 00	747 85	(102 15)
Clerk	15 950 00	15 110 17	(839 83)
Treasurer	21 250 00	20 681 18	(568 82)
Township Hall	69 025 00	43 724 07	(25 300 93)
Township Office/Library Building	36 900 00	5 761 24	(31 138 76)
Cemetery	4 750 00	2 941 28	(1 808 72)
Public safety:			
Fire protection	66 150 00	47 872 18	(18 277 82)
Public works:			
Highways and streets	40 000 00	23 990 00	(16 010 00)
Street lighting	2 500 00	2 021 00	(479 00)
Sanitation	49 710 00	37 318 64	(12 391 36)
Culture and recreation:			
Parks and recreation	2 500 00	2 116 39	(383 61)
Capital outlay	<u>15 000 00</u>	<u>14 424 00</u>	<u>(576 00)</u>

The accompanying notes are an integral part of these financial statements.

<u>Special Revenue Fund</u>		
<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
8 000 00	7 331 66	(668 34)
-	-	-
-	-	-
<u>8 000 00</u>	<u>7 331 66</u>	<u>(668 34)</u>
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
24 000 00	23 990 00	(10 00)
-	-	-
-	-	-
-	-	-
-	-	-
<u>-</u>	<u>-</u>	<u>-</u>

TOWNSHIP OF CHARLTON
Otsego County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –
GENERAL AND SPECIAL REVENUE FUNDS
Year Ended March 31, 2004

EXHIBIT C
Page 2

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Total expenditures	<u>437 385 00</u>	<u>289 324 74</u>	<u>(148 060 26)</u>
Excess (deficiency) of revenues over expenditures	<u>(142 505 00)</u>	<u>5 761 11</u>	<u>148 266 11</u>
Fund balances, April 1	<u>188 188 19</u>	<u>198 094 66</u>	<u>9 906 47</u>
Fund Balances, March 31	<u><u>45 683 19</u></u>	<u><u>203 855 77</u></u>	<u><u>158 172 58</u></u>

The accompanying notes are an integral part of these financial statements.

<u>Special Revenue Fund</u>		
<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<u>24 000 00</u>	<u>23 990 00</u>	<u>(10 00)</u>
<u>(16 000 00)</u>	<u>(16 658 34)</u>	<u>(658 34)</u>
<u>222 298 19</u>	<u>222 301 03</u>	<u>2 84</u>
<u>206 298 19</u>	<u>205 642 69</u>	<u>(655 50)</u>

TOWNSHIP OF CHARLTON
Otsego County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Charlton, Otsego County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14 "The Financial Reporting Entity," the general purpose financial statements of the Township contain all the Township funds and account groups that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Charlton. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Basis of Presentation

The financial activities of the local unit are recorded in separate funds and account groups, categorized and described as follows:

Governmental Funds

General Fund

This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Fund

This fund is used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Account Group

TOWNSHIP OF CHARLTON
Otsego County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

General Fixed Assets Account Group

This account group presents the fixed assets of the local unit utilized in its general operations.

Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present revenues and other financing sources and, expenditures and other financial uses in net current assets.

The modified accrual basis of accounting is followed by the governmental fund types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual which is both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than principal and interest on long-term debt, are recorded when the related fund liability is incurred, if measurable. Principal and interest on general long-term debt is recognized when due.

Revenues from local sources consist primarily of property taxes. Property taxes and revenues received from the State are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

Property Taxes

Property taxes are accrued in the year in which they are levied. The tax levy is recorded as deferred revenue until the subsequent year when it becomes available for use.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the County delinquent tax rolls. The Township 2003 tax roll millage rate was .9542 mills and the taxable value was \$94,350,053.00.

TOWNSHIP OF CHARLTON
Otsego County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Fixed Assets

Purchases of general fixed assets for all funds are recorded as expenditures in the respective funds at the time of purchase. They are also recorded at cost in the General Fixed Assets Group of Accounts as required by generally accepted accounting principles.

Investments

Investments are stated at market.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Compensated Absences (Vacation and Sick Leave)

Township employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.

TOWNSHIP OF CHARLTON
Otsego County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting (continued)

5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Postemployment Benefits

The Township provides no postemployment benefits to past employees.

Note 2 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

TOWNSHIP OF CHARLTON
Otsego County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 2 – Deposits and Investments (continued)

The Township Board has designated two banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>393 545 20</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	200 000 00
Uninsured and Uncollateralized	<u>194 504 90</u>
Total Deposits	<u>394 504 90</u>

The Township of Charlton did not have any investments as of March 31, 2004.

Note 3 – Changes in General Fixed Assets

A summary of changes in general fixed assets follows:

	<u>Balance 4/1/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/04</u>
Land and improvements	64 192 00	-	-	64 192 00
Buildings and improvements	732 646 23	-	-	732 646 23
Equipment	<u>454 182 89</u>	<u>14 424 00</u>	<u>-</u>	<u>468 606 89</u>
Totals	<u>1 251 021 12</u>	<u>14 424 00</u>	<u>-</u>	<u>1 265 445 12</u>

TOWNSHIP OF CHARLTON
Otsego County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 4 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	<u>525 85</u>	Current Tax Collection	<u>525 85</u>
Total	<u>525 85</u>	Total	<u>525 85</u>

Note 5 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 6 – Pension Plan

The Township has a defined contribution pension plan that covers all full-time employees of the Township. The Township's contributions amount to \$8,851.16 for the year ended March 31, 2004.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts, and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

The Township of Charlton does not issue building permits. Building permits are issued by the County of Otsego.

Note 9 – Total Columns on Combined Statements--Overview

The total columns on the combined financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation, because interfund eliminations have not been made in the aggregation of this data.

TOWNSHIP OF CHARLTON
Otsego County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year Ended March 31, 2004

EXHIBIT D
Page 1

Township Board:

Wages	6 942 78
Board of Review	1 077 92
Professional services	1 894 00
Printing and publishing	603 57
Insurance	2 744 75
Pension	8 851 16
Computer services	1 450 00
Supplies	4 507 41
Social security	100 70
Membership and dues	2 028 45
Miscellaneous	3 960 08
	<u>34 160 82</u>

Supervisor/Assessor:

Salary – Supervisor	15 038 17
Salary – Assessor	23 332 55
Miscellaneous	85 20
	<u>38 455 92</u>

Elections:

Wages	618 94
Supplies	128 91
	<u>747 85</u>

Clerk:

Salary	15 038 17
Mileage	72 00
	<u>15 110 17</u>

Treasurer:

Salary	19 881 79
Deputy salary	466 08
Mileage	45 00
Social security	288 31
	<u>20 681 18</u>

Township Hall:

Wages	18 708 43
Social security	1 431 23
Insurance	5 940 00
Repairs and maintenance	2 815 25
Utilities	8 631 72
Telephone	500 77
Contracted services	1 183 00
Supplies	2 507 69
Miscellaneous	2 005 98
	<u>43 724 07</u>

TOWNSHIP OF CHARLTON
Otsego County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year Ended March 31, 2004

EXHIBIT D
Page 2

Township Office/Library Building:

Insurance	800 00
Repairs and maintenance	44 00
Utilities	2 542 49
Telephone	1 820 75
Contracted services	434 00
Miscellaneous	120 00
	<u>5 761 24</u>

Cemetery:

Repairs and maintenance	2 691 28
Insurance	250 00
	<u>2 941 28</u>

Fire protection:

Wages	24 265 46
Supplies	3 876 28
Insurance	7 918 28
Repairs and maintenance	5 163 55
Utilities	3 533 72
Social security	1 827 91
Gas	841 98
Miscellaneous	445 00
	<u>47 872 18</u>

Highways and streets

23 990 00

Street lighting:

Utilities	<u>2 021 00</u>
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Sanitation:

Wages	10 494 29
Contracted services	20 577 02
Insurance	2 470 00
Utilities	825 35
Social security	801 87
Repairs and maintenance	1 020 00
Telephone	491 11
Miscellaneous	639 00
	<u>37 318 64</u>

Parks and recreation

2 116 39

Capital outlay

14 424 00

Total Expenditures

289 324 74

TOWNSHIP OF CHARLTON
Otsego County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year Ended March 31, 2004

EXHIBIT E

	<u>Balance</u> <u>4/1/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/04</u>
<u>Assets</u>				
Cash in bank	<u>360 65</u>	<u>2 819 979 84</u>	<u>2 818 651 20</u>	<u>1 689 29</u>
<u>Liabilities</u>				
Due to other funds	360 65	110 878 90	110 713 70	525 85
Due to others	<u>-</u>	<u>2 709 100 94</u>	<u>2 707 937 50</u>	<u>1 163 44</u>
Total Liabilities	<u>360 65</u>	<u>2 819 979 84</u>	<u>2 818 651 20</u>	<u>1 689 29</u>

CAMPBELL, KUSTERER & CO., P.C.

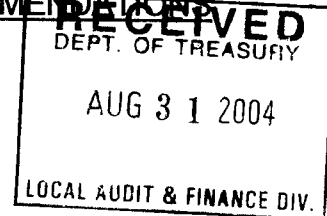
CERTIFIED PUBLIC ACCOUNTANTS

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS



August 2, 2004

To the Township Board
Township of Charlton
Otsego County, Michigan

We have audited the financial statements of the Township of Charlton, for the year ended March 31, 2004. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Charlton in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

To the Township Board
Township of Charlton
Otsego County, Michigan

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

To the Township Board
Township of Charlton
Otsego County, Michigan

GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board issued a new reporting model for governmental units which is to be implemented over the next few years. The implementation date of this pronouncement for the Township of Charlton will begin with the year ended March 31, 2004, and will need to be implemented fully by March 31, 2005. The daily operations and recording transactions should not change significantly, however, the Township will be required to maintain additional records for the year end adjustments to the final presentation format.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2004.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants